

THOMAS JEFFERSON INSTITUTE FOR PUBLIC POLICY

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A Revenue Neutral Plan to Spur Economic Growth

(**Scenario #6** in a study by the Thomas Jefferson Institute for Public Policy found here:

http://www.thomasjeffersoninst.org/files/3/Tax_Restructure_narrative3.pdf)

- Eliminate the Bottom Two Tax Brackets of the Virginia Income Tax Code
- Remaining two tax brackets are reduce by 9% and 13% respectively
- Eliminate the BPOL Tax, Machine & Tool Tax, and Merchants Property Tax
- Make the counties and cities whole for the revenue loss on BPOL, M&T and MP Taxes
- Broaden the current sales tax to all service industries, keeping all health care related services exempt
- No business-to-business sales tax on services
- Revenue Neutral

Economic consequences according to the dynamic model built by the economists at the Beacon Hill Institute at Suffolk University in Boston, MA over the next five years in addition to the current baseline:

- Private employment increases by 79,000
- Investment increases by \$287 million
- Real disposable income increases by 2.85 million
- Real state GDP increases by \$8.4 billion

This dynamic economic model has been used in the past by the Thomas Jefferson Institute with praise from legislators from both political parties.

Those who we have talked with and who are interested in further discussions:

- VACO and VML: their members are made whole and don't lose money, so they remain at the table. Monthly check increases due to expanded sales tax. BPOL, M&T and Merchants Capital taxes eliminated and replaced with a monthly sales tax reimbursement.
- Tax Foundation: a broader tax and a lower tax are always best for the economy. No business-to-business sales taxes on services is important for economic growth.
- Americans for Tax Reform: as long as this remains revenue neutral, ATR's pledge is maintained
- Gas stations group in NOVA, VMA, Realtors, VADA, Retailers, CPAs, Trial Lawyers, Independent Insurance Agents, NFIB, VA Chamber, local chambers, and others have been talked with and all remain at the table and interested in this general outline. Everyone wants to see final legislation.
- Governor's Policy Office and Ric Brown, Secretary of Finance, have been involved from the beginning.